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BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES

Chairman

GARY PIERCE

Commissioner

PAUL NEWMAN

Commissioner

SANDRA D. KENNEDY

Commissioner

BOB STUMP

Commissioner

Arizona Corporation Commission

DOCKETED

JUN - 3 2010

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IN THE MATTER OF THE APPLICATION
OF PAETEC COMMUNICATIONS, INC. -
TARIFF FILING FOR APPROVAL OF A
NEW ADMINISTRATIVE CHARGE

DOCKET NO. T-03663A-10-0034

DECISION NO. 71706ORDER

Open Meeting
May 26 and 27, 2010
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. PAETEC Communications, Inc. ("PAETEC" or "Company") is certificated to provide telecommunications service as a public service corporation in the State of Arizona.

2. On February 1, 2010, PAETEC Communications, Inc. ("PAETEC" or "Company") filed tariff revisions to add a new administrative charge titled "Account Handling Charge". In this filing, PAETEC is proposing to assess a \$30.00 Account Handling Charge to a customer's account for each subsequent attempt by the Company to return an outstanding credit balance to the customer if a first mailing is returned undeliverable. PAETEC proposes to assess the charge no more than twice a year after the initial attempt, which amounts to \$60 a year.

3. According to PAETEC, the Company is proposing the Account Handling Charge in order to recover "the Company's expense in the attempt to successfully return any remaining customer credits." The fee would be charged in instances whereby the Company tries after a failed

1 initial mailing to track down former customers who have discontinued services, left a credit in
2 their account, and no valid forwarding address. PAETEC also indicates that any credits remaining
3 on a closed account are refunded by check every 3-4 weeks to the last known address the customer
4 left on file and that some of the checks are returned or are not cashed, and subsequently expire.

5 4. In responses to Staff's Data Request inquiring whether PAETEC plans to provide
6 its customers with a concise summary of the tariff change within 60 days of the effective date of
7 the change, as required by Arizona Administrative Code ("A.A.C.") R14-2-504(B)(2), the
8 Company stated that at the direction of the Commission, it will run a Bill Message to all of its
9 Arizona customers notifying them of the change, 60 days before implementation.

10 5. Currently, the Company provides the service to its customers at no cost. Since this
11 filing increases the rate for a component of a service that has been classified as competitive under
12 the Commission's Competitive Telecommunications Services Rules, A.A.C. R14-2-1110 applies
13 to PAETEC's proposal.

14 6. The rate contained in this filing is for a service that has been classified as
15 competitive by the Commission and is now subject to the Commission's Competitive
16 Telecommunications Services Rules. Under those rules, rates for competitive services are not set
17 according to rate of return regulation standards.

18 7. Staff requested information from PAETEC to allow it to determine the potential
19 effects of approval of this filing. PAETEC provided information that indicates the expected effect
20 of this filing would be "extremely negligible" on PAETEC's annual Arizona revenues, because
21 there are currently no accounts in Arizona that have outstanding credits tied to them that the
22 Company has been unable to return. Therefore, no customers will be impacted by the proposed
23 rate at this time. In response to a Staff Data Request, PAETEC indicated that for the period
24 January 2009 to October 2009, its success rate with returning money to former customers, before
25 any "Account Handling Charge" would be applicable was 93.82 percent of the total number of
26 checks issued, which accounted for 94.72 percent of the total outstanding money. PAETEC
27 currently provides only long distance service to 24 residential and 475 business customers in
28 Arizona.

8. PAETEC's proposed Account Handling Charge rate compares to other long distance providers in Arizona as follows:

<u>Company</u>	<u>Service</u>	<u>Rate</u>	<u>Frequency</u>
MCI Communications	Long Distance	\$2.50	Monthly
NEXTLINK	Long Distance	\$2.50	Monthly
XO	Long Distance	\$2.50	Monthly
TOUCH AMERICA	Long Distance	\$2.50	Monthly
McLeodUSA	Long Distance	\$30.00	Twice/year

9. PAETEC states that it is in the process of filing the proposed revision in all of its Local and Long Distance state tariffs to ensure consistency across its customer base. Within the last two months, California, Connecticut, Delaware, New York and South Carolina have approved a similar filing, whereas it is pending in Mississippi.

10. Staff obtained information regarding PAETEC's fair value rate base. PAETEC indicated that its fair value rate base is approximately \$36,472. Because of the nature of the competitive market and other factors, a fair value analysis is not necessarily helpful in evaluating the Company's proposed tariff change. Therefore, while Staff considered the fair value rate base information of PAETEC, it did not accord that information substantial weight in its analysis of this matter.

11. Staff believes that PAETEC incurs some administrative expense in its attempts to return credits to former customers. Staff also believes that although the Commission had administratively approved the \$30.00 rate for PAETEC's sister company, McLeodUSA Telecommunications, Inc. d/b/a PAETEC Business Services, for the same concept in 2004, PAETEC in this instant application failed to provide a cost justification, breakdown, calculation and /or data to support the application as requested by Staff. Staff's recommendations in each case are based on the merits of the case. Without the cost justification to support the requested relief, Staff believes that the proposed rates could be excessive.

12. Therefore, Staff recommends that PAETEC be approved to charge \$2.50 per month, beginning from the second monthly billing period following the month in which the account was closed until the customer requests a refund or the balance is exhausted. Staff also recommends

1 that PAETEC be required to file a revised tariff consistent with the approved rate within 30 days of
2 the effective date of an order in this docket. Staff further recommends that PAETEC be required
3 to provide a notice to its customers of the tariff changes within 60 days of the effective date of the
4 change, as required in R14-2-504(B)(2). Staff further recommends that PAETEC file a copy of the
5 customer notification and an affidavit with Docket Control, as a compliance item in the docket,
6 within 30 days of the effective date of the change, verifying that an appropriate notice of the tariff
7 change has been given to all the business and residential customers of this service on record at that
8 time.

9 CONCLUSIONS OF LAW

- 10 1. PAETEC is an Arizona public service corporation within the meaning of Article
11 XV, Section 2, of the Arizona Constitution.
- 12 2. The Commission has jurisdiction over PAETEC and over the subject matter of this
13 Application.
- 14 3. The Commission, having reviewed the tariff pages (copies of which are contained in
15 the Commission's tariff files) and Staff's Memorandum dated May 11, 2010, concludes that Staff's
16 recommendations are reasonable and should be adopted.

17 ORDER

18 IT IS THEREFORE ORDERED that the tariff filing to add a new administrative charge
19 titled "Account Handling Charge" be and hereby is approved, as discussed herein.

20 IT IS FURTHER ORDERED that PAETEC Communications, Inc. shall comply with the
21 Staff recommendations set forth in Findings of Fact No. 12.

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1 IT IS FURTHER ORDERED that PAETEC Communications, Inc. notice customers in a
2 manner and form consistent with Commission requirements.

3 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

4
5 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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7 CHAIRMAN

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9 COMMISSIONER

10 
11 COMMISSIONER

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13 COMMISSIONER

14 
15 COMMISSIONER

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17 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,
18 Executive Director of the Arizona Corporation Commission,
19 have hereunto, set my hand and caused the official seal of
20 this Commission to be affixed at the Capitol, in the City of
21 Phoenix, this 3rd day of June, 2010.

22 
23 ERNEST G. JOHNSON
24 EXECUTIVE DIRECTOR

25
26 DISSENT: _____

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28 DISSENT: _____

SMO:BNC:lhmfFW

1 SERVICE LIST FOR: PAETEC COMMUNICATIONS, INC.
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